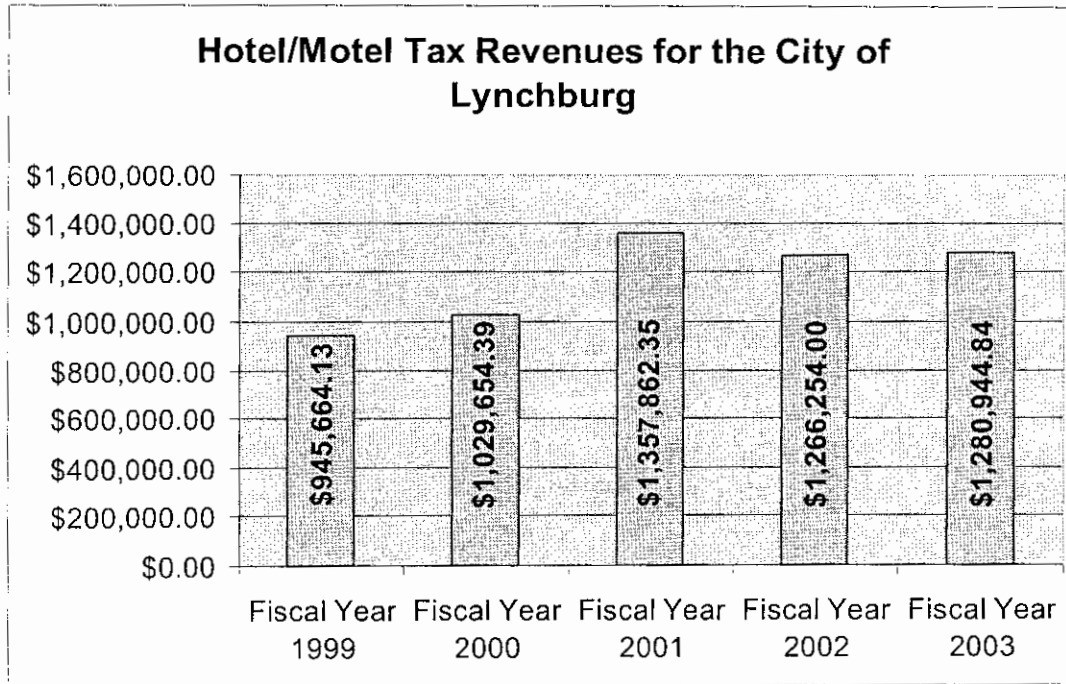


Tax Revenues

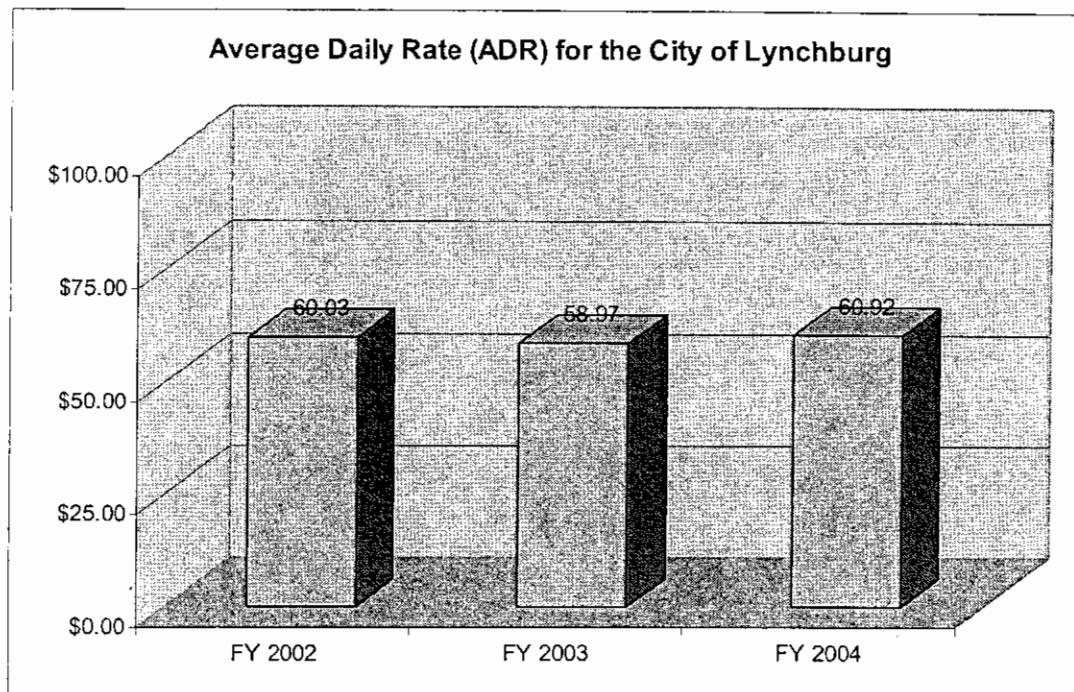
The following graph shows the total hotel/motel tax revenues generated for the City of Lynchburg between FY 1999 and 2003. This graph indicates that the revenue generated through hotel/motel tax collection has been relatively consistent from 2001 to 2003.



Average Daily Rate

The average daily room (ADR) rate information was calculated by Smith Travel Research. The ADR computes hotel rates for all participating properties with more than twenty rooms.

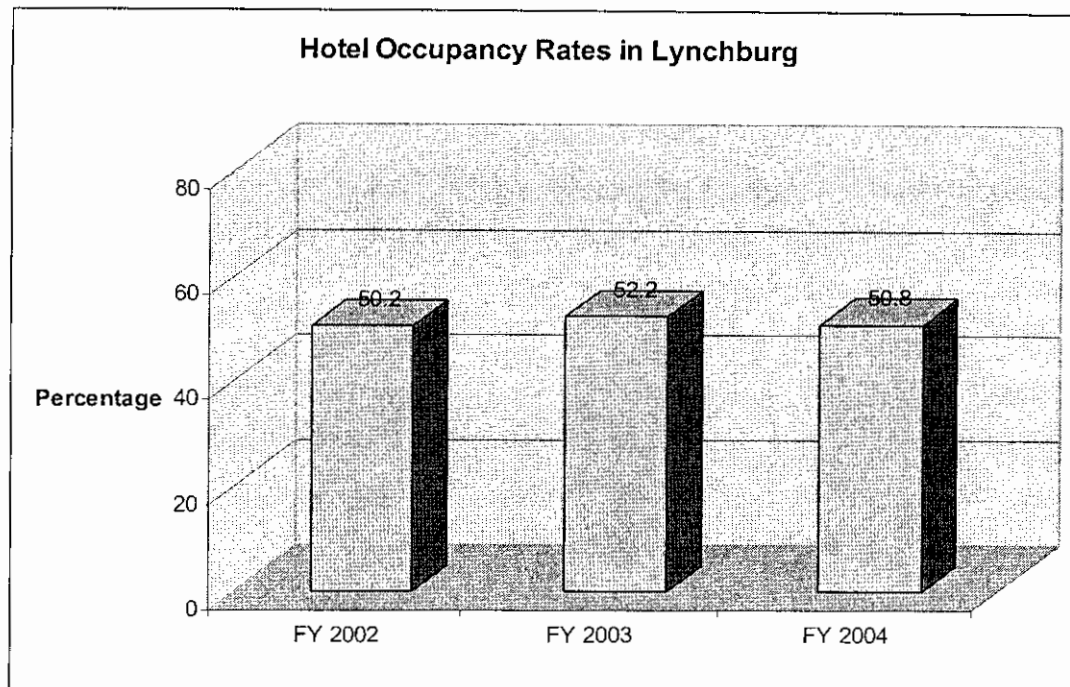
The graph below indicates that the ADR from FY 2002 through FY 2004 has remained relatively constant.



Hotel Occupancy Rates

According to Smith Travel Research, hotel occupancy rates are a function of available room supply and room demand. Room supply is calculated by multiplying the number of hotel rooms in a community by 365 days. Room demand is equal to the total room nights booked in a community. It is important to remember that as new hotel properties are constructed, renovated or demolished, the hotel room supply will be affected.

The graph below illustrates Hotel Occupancy Rates for the City of Lynchburg for FY 2002 through 2004. The graph shows that hotel occupancy rates have remained relatively consistent. The rates increased by two percent (2%) in FY 2003 to reach a high of fifty-two point two percent (52.2%) and then decreased to fifty percent in FY 2004.



Key Findings – Hotel Operations

- Overall, the Lynchburg hotel market remained relatively stable during FY 2002-2004.
- Hotel/motel revenues for the time period FY 2001-2003 averaged \$1.3 M.
- The average daily rate (ADR) for a hotel room in the City of Lynchburg between FY 2002-2004 was \$59.97.
- Hotel Occupancy rates average 50.8% between FY 2002-2004.

Governance

Before the City of Lynchburg had a Convention and Visitors Bureau, destination marketing activity of the Lynchburg area was the responsibility of the Tourism Department, which was housed in the City's Department of Economic Development at City Hall. The Tourism Department received their funding from occupancy tax revenues that were put back into the City's general fund.⁶

In 1993, the City established a Convention and Visitors Bureau which was charged with the responsibility of developing travel and tourism in the Lynchburg area. For the first seven years, the primary focus, and the majority of the organization's budget, was dedicated to the operation of the Visitors Information Center. In 2000, the City imposed an additional \$1 per room per night lodging tax (of which, the CVB receives 0.35 cents per dollar). The increased revenue generated by the tax allowed the CVB to grow and increase their destination marketing activities. Today, the CVB actively works with the travel industry, area businesses, travel writers, and media planners to attract leisure and business travelers, conventions and meetings to the Lynchburg region.

The City decided to house the fledgling division within the Lynchburg Regional Chamber of Commerce. Since that time, the Bureau has operated under a contract with the City of Lynchburg and received the majority of its funding from the City's occupancy tax revenues.

Role of a Governance Structure

Typically, the role of a governance structure is to provide an organization with oversight, to establish and administer policy, and maintain accountability. According to industry best practices, objectives of governance for a CVB typically include the following:

- Provide a stable governance structure for CVB operations insulating it from political influence and involvement;

⁶ Eleanor "Stevie" Dovel. Interview conducted on April 8, 2005.

- Provide an independent entity that focuses on operating the CVB in a proper, efficient, economical and business-like manner;
- Ensure that the CVB is serving the public needs while being fiscally responsible; and,
- Provide strategic business planning for the CVB that is measurable and periodically evaluated for performances.⁷

Marlene Tingley-Carney, Director of External Affairs and Local Chamber Services for the California Chamber of Commerce, writes, “There is no rule defining the ideal chamber/CVB relationship. However there are some key issues that chambers need to consider when organizing a visitor and tourism function as part of the organization.

- A chamber is first and foremost the voice of business and should represent its members at all levels of government, whether there is a contract in place for a visitor bureau or the chamber operates independent of any funding from government sources.
- A chamber that manages a visitor center or a CVB needs to make sure that resources (both human and financial) are adequate to effectively meet the needs of the visitors, conventioners and the hospitality industries that are being served.
- A chamber that has a contract with the city or county for maintaining a visitors’ center should make sure that the contract is well defined and that it does not interfere with the chamber’s ability to serve members who are not directly involved with the tourism industry.
- If a chamber and a CVB operate as separate entities, the key to success seems to lie in both organizations’ ability to communicate with each other effectively, to share a mutual vision of enhancing and promoting the overall economy and to work at partnering and collaborating on regional events and issues.
- Chambers that do perform the visitor/tourism function also need to make sure they are technologically up to speed and that visitors from all over the world can

⁷ KPMG.

access their community and all it has to offer. Today, an increasing number of visitors are taking care of their travel needs via the Internet.”⁸

Governance of the LRCVB

The LRCVB is currently governed by two organizations:

- The Chamber of Commerce (LRCC) who serves as the parent organization; and
- The Tourism Advisory Council (TAC), who advises the Chamber on the operations of the bureau.

Lynchburg Regional Chamber of Commerce

Because the Lynchburg Regional Convention and Visitors Bureau follows the governance structure of a CVB housed in the Chamber of Commerce, the project team has included some background information on the LRCC.

Description

According to the Chamber’s website, the Lynchburg Regional Chamber of Commerce has, “worked to promote regional economic growth and to enhance the quality of life for all citizens of Central Virginia. The Chamber received its 20-year reaccreditation from the U.S. Chamber of Commerce in June 2001. The Chamber is the region’s largest business association, and our government relations programming reflect the interests of our members. We advocate a pro-business position on important legislative issues and keep our members informed of public policy developments at the local, state and federal levels. As a Chamber member, each program and service that you receive and use offers unique opportunities for your business — for increased customer awareness, for greater sales and revenues, profits and growth. For nearly 1200 businesses, professionals and organizations in the Lynchburg Region, the Chamber is a proven business partnership that works. Our goal is to continue to broaden our range of benefits to meet the changing and expanding needs of the business community we serve.”⁹

⁸ Western Association of Chamber Executives, *Leader to Leader*, 2000.

⁹ LRCC website. <http://www.lynchburgchamber.org/>

Mission Statement

The Lynchburg Regional Chamber of Commerce serves to strengthen our member businesses and stimulate regional prosperity.¹⁰

Overview

The Lynchburg Regional Chamber of Commerce has been in existence since 1883. Their membership, which is comprised of area businesses, professionals and organizations, has reached nearly 1,200 in number. The organization hosts the Leadership Lynchburg program and provides its members with networking and professional development opportunities.

Chamber Divisions

The Lynchburg Chamber of Commerce is organized into five divisions: Business Advocacy, Member Services, Finance, Leadership & Business Development, and Tourism Services.

Chamber of Commerce - Key findings:

- The CVB leverages their relationship with the Chamber to achieve greater recognition in the community.
- The LRCVB leases office space from the Chamber.
- The LRCVB pays for Chamber services provided to the tourism program (up to 15% of the Chamber President's salary, up to 8% of the Bookkeeper's salary and a portion of Chamber employees who provide assistance to the CVB), as well as a portion of overhead expenses (rent, shared equipment and custodial services).
- The powers of the Lynchburg Chamber Board of Directors include the approval of the Lease and Operating agreement between the City of Lynchburg and the Lynchburg Chamber of Commerce and the adoption of the overall budget for the CVB.
- Only the Chamber President has the authority to hire and fire Chamber staff.

¹⁰ <http://www.lynchburgchamber.org/LCH2004BusPlan.pdf>

- The VP of Tourism is responsible for developing the CVB budget (which is approved by the Chamber Board) and the management of day-to day activities of the CVB. The VP does not, however, have final approval of the CVB budget, nor do they have the authority to hire and/or fire their own staff.

Travel Advisory Council (TAC)

The agreement between the City and the LRCC establishes that a twelve-member Travel Advisory Council be created to advise the LRCC on the operation of the LRCVB. Six (6) representatives are appointed by the City and six (6) representatives are appointed by the Chamber. Each representative serves a three-year term. The Council “advises and assists the tourism program by building a community awareness of tourism as part of the local economy.”¹¹

The Council has responsibility for the primary review of CVB decisions, including:

- Advertisement placement;
- Advertisement design;
- Design of printed materials;
- Development of a marketing plan (action plan); and
- Advise the Chamber on administrative policy issues.

Meetings

According to information gathered during interviews with CVB staff and Council members, the Travel Advisory Council meets on a quarterly basis to review groups sales data, recent CVB activity, and Visitor’s Center visitation numbers. Sometimes guest speakers are invited to make presentations.

In addition to the quarterly meetings, Council members also attend the Tourism Outlook breakfast which highlights activity for the pervious year and provides council members with an opportunity to discuss goals for the upcoming year.

¹¹ Lynchburg CVB Annual Report 2004/Business Plan 2005

Budget

At the time this audit was conducted, the Council's responsibility as defined in the contract between the City and the Chamber did not include budget oversight.

Peer CVB Advisory Councils

The project team conducted research and identified the following national trends regarding CVB Advisory Councils.

- Most CVBs are governed by a Board of Directors.
- According to a survey conducted by the International Association of Convention and Visitors Bureaus (IACVB) of their membership, revealed that the average number of voting members for a CVB Board of Directors is sixteen (16).
- More than 82% of the CVBs that participated in the survey indicated that their bylaws specified the composition of the Board of Directors.

Travel Advisory Council (TAC) - Key Findings

- The purpose and/or role of the TAC is not clearly defined in the contract between the City and the LRCC.
- According to the contract, the TAC does not have budget oversight of the CVB's operating budget.
- The LRCVB staff currently provides quarterly updates to the TAC regarding quarterly visitation to the Visitors Center, sales totals and marketing activities.
- Under the existing contract, there are no established measures in place to evaluate plan performance.
- The TAC currently acts as an advisor to the LRCVB, as well as a liaison between the CVB and the Chamber, but has relatively limited substantive input regarding the operations of the Bureau or the strategic planning process.
- Best practices indicate that CVB Advisory Councils include a representative from each of the communities located in the CVB service area and at least one representative from each of the primary tourism stakeholders served (i.e. lodging, attractions, restaurants, etc.).

- The current City contract does not require that the TAC include representatives from local governments served by the CVB.
- The existing City contract does not require that tourism stakeholders (lodging industry, area attractions, and restaurateurs) have representation on the TAC. It is of note that the CVB has made efforts to include at least two representatives from area attractions and hotels on the Committee.

CVB Operations and Performance

This section of the report focuses on a review of the operational aspects of the Lynchburg Regional Convention and Visitors Bureau.

Mission Statement

The Lynchburg Regional Convention and Visitors Bureau (LRCVB) mission statement is to promote the Lynchburg region and enhance its image as a destination for leisure visitors, group and sporting events. The Lynchburg Regional Convention & Visitors Bureau promotes the counties of Amherst, Appomattox, Bedford, Campbell, and Nelson as well as the cities of Lynchburg and Bedford.

Organization Structure

The LRCVB is a division of the Lynchburg Regional Chamber of Commerce (LRCC). The CVB is under the direction of the Chamber's Vice President of Tourism Services, who oversees all aspects of the CVB, including administration, sales, and the Visitors Information Center.

Funding

The CVB receives its primary funding from the City's hotel occupancy tax, which is administered through a contract between the City of Lynchburg and the LRCC. Despite the fact that the CVB serves the Lynchburg region, the funding for the organization comes only from occupancy taxes levied in the City of Lynchburg.

The City of Lynchburg charges a total of 10.5% on daily room rates (5% State sales tax, a 5.5% occupancy tax) plus an additional \$1 fee per room/night. According to the guidelines established in the contract between the City and the LRCC, the CVB receives an annual base budget of \$180,000. In addition, the CVB receives 0.35 cents from every \$1 room fee that is collected. Once the dollar amount reaches \$680,000, 50% of any revenues generated goes to the Chamber to use for tourism expenses.

Key Findings - Funding

- The mission of the LRCVB is to promote the Lynchburg region (including the counties of Amherst, Appomattox, Bedford, Campbell, and Nelson as well as the cities of Lynchburg and Bedford) as a destination for leisure visitors, group and sporting events.
- The primary source of LRCVB funding comes from revenues generated from the City of Lynchburg's occupancy tax and 0.35 cents of the \$1 per fee per room/night.
- Peer CVBs receive funding from all of the local governments that are within their service area.

Staffing

The Lynchburg CVB is currently staffed by four (4) full-time and seven (7) part-time tourism employees, including a VP of Tourism, Group Sales Manager, Administrative Assistant, Visitors Center Manager and Visitors Center Staff. Three of the employees are housed in the Chamber building. The remaining staff is housed in the Visitors Center.

According to the 2003 Organizational and Financial Profile Report by the International Association of Convention and Visitors Bureaus (IACVB), the average revenues per full-time equivalent (FTE) for CVB's were \$142,748 and the average expenditures per FTE was \$127,645.

The FTE ratios for the neighboring Roanoke CVB were reviewed. This Bureau was included in the comparison because of its geography and demographics. As the data presented in Table 4 illustrates, the operating budget for the Roanoke CVB is twice as large as the Lynchburg CVB but the number of FTEs is similar (7.5 vs 9 FTEs), and therefore it has a significantly higher revenues per FTE and expenditures per FTE ratios.

The Bureau would need to develop tracking performance measures to ensure that the Bureau's staffing levels and corresponding workload are at a reasonable level.

Table 4: FY 2004 FTE Statistics

	<i>IACVB Average/FTE</i>	<i>Roanoke CVB</i>	<i>Lynchburg CVB</i>
<i>Revenues</i>	-	\$1,100,000	\$487,606*
<i>Expenditures</i>	-	\$1,100,000	\$487,606
<i>FTEs</i>	-	9	7.5
<i>Revenues/FTE</i>	\$142,748	\$122,222	\$65,014
<i>Expenditures/FTE</i>	\$137,146	\$122,222	\$65,014

*Source: LRCVB 2004 Income Statement

Key Findings - Staffing

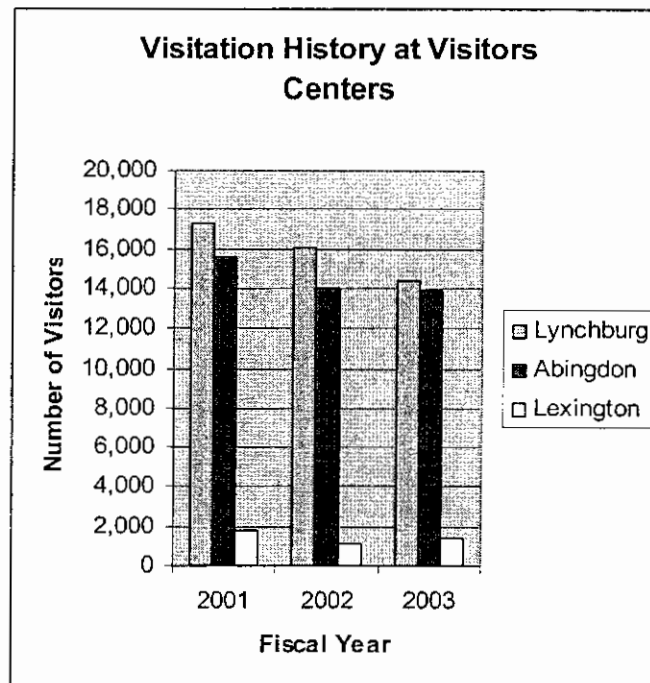
- The current staffing structure of the CVB conforms to industry standards.
- According to a review of IACVB and peer CVB data, the LRCVB is operating with less money per full-time equivalent employee than its peer organizations.
- Establishing tracking performance measures could be used to assess staffing levels and corresponding workload.

Visitors Information Center

The Visitors Information Center is located at 216 12th Street at Church in downtown Lynchburg. According to the LRCVB's 2005-2006 *Business Plan*, the objective of the Visitors Information Center is, "To promote Lynchburg and the region as a travel destination; to provide visitors with a variety of information about the many attractions, events and points of interest in and around Lynchburg, and to create a hospitable environment."

The graph below highlights attendance at Visitors Information Centers in Lynchburg, Abingdon and Lexington, VA. As the graph illustrates, attendance at the Lynchburg Center decreased from 17,295 visitors in 2001 to 14,355 visitors in 2003, while visitation to peer Centers decreased in 2002 and then rebounded in 2003.

Visitor Information Center Statistics



Key Findings – Visitors Information Center

- The number of visitors frequenting the Visitors Information Center steadily decreased from 2001 to 2003.
- The LRCVB should consider conducting a survey of Visitor Information Center guests to evaluate the accessibility of the site's current downtown location.

Marketing and Promotion

According to *LRCVB Business Plan 2005-2006*, the Bureau produces the following publications and marketing materials:

- Group tour and Meeting Planners Guide
- Athletic Facilities Guide
- Regional Brochure
- Tourism Video (CD)
- Website – www.DiscoverLynchburg.org

- Hospitality Guide
- Legacy of African American History
- Historic Homes Brochure
- Civil War Brochure
- Trickery, Triage, and Triumph Civil War Flyer
- Calendar of Events
- Accommodations Guide
- Pad Map

The following formula was used to calculate the estimated Return on Investment (ROI) for Lynchburg's print advertising campaign.

$$(\text{Total \# of Leads}) \times (20\% = \text{estimated conversion}) \times (3.6 = \text{travel party size}) \times (2.0 = \text{days length of stay}) \times (\$49 \text{ per day}) \text{ EQUALS Dollar Amount Spent by Tourists}$$

According to calculations made by the Virginia Tourism Corporation, for every advertising dollar spent in 2003, \$22 in tourist spending in the Lynchburg area was generated.

**Table 5: Estimated Return on Investment
Print Advertising Campaign**

Year	Print Advertising Inquiries	Total Advertising Campaign (Expense)	Estimated Campaign Revenue	Estimated Return On Investment
2001	26,984	169,195.22	1,903,991.04	1:11
2002	23,501	100,746.49	1,658,230.56	1:16
2003	14,100	45,734.39	994,896.00	1:22

*Source: The campaigns return-on-investment source/calculations are based on the *Virginia Tourism Corporations 1998 Virginia Visitor Study/Lynchburg Profile*

Key Findings – Marketing and Promotion

- The CVBs current marketing and promotion activities are yielding a positive economic impact on the region.

Performance Measures

At the time of this audit, the Lynchburg CVB did not have a formal process in place to measure the effectiveness of its activities. The Bureau does tracks the number of leads generated from trade shows, the number of tourists who stop by the Visitors Information Center, the number of visitors to area attractions, the number sales opportunities and dollars secured, and the number of search engine referrals generated, but they don't have a widely accepted performance measurement system in place to evaluate the impact of their efforts.

According the Government Accounting Standards Board (GASB), government organizations should have identified goals and objectives and a way to measure whether or not they are making progress towards achieving said goals. The GASB has identified the following means to measure performance:

- *Measures of Efforts (Inputs):* The financial and non-financial resources that are used in providing services or operating programs, including administrative, capital, and personnel costs.
- *Activity of Process Measures:* Such measures gauge the process or strategy used in providing a service. Normally used for internal management purposes, activity measures are used to evaluate the activity used to convert inputs (resources) to outputs. Typically, these measures enable an organization to determine whether there might be more efficient or effective ways of producing desired output.
- *Output Measures:* The quantity of the service provided or the product of an organization's activities.
- *Service Quality Measures:* Also referred to as effectiveness measures, service quality measures evaluate the quality of the service, often in terms of timeliness and customer satisfaction.

- *Outcome measures:* The results achieved from the outputs. Outcome measures can be used in different intervals, such as on initial, interim, and long-term basis.
- *Efficiency Measures:* Such measures evaluate how well resources are used. They are often expressed in terms of outputs versus inputs.

The International Association of Convention and Visitors Bureaus (IACVB) recommends that CVBs measure their performance by calculating their Return on Investment (ROI) by comparing the total number of dollars spent by visitors while in the area to the total number of dollars (occupancy tax revenues) spent to attract them to the area.

The IACVB also recommends using the following data as performance indicators:

- Hotel occupancy rates;
- Visitor expenditures;
- Economic impact,
- Inquiry tracking;
- Number of visitors; and
- Visitor profiling.

Key Findings:

- The LRCVB does not currently have a formal method in place for evaluating the efficiency and effectiveness of its activities.
- The LRCVB would benefit from developing a series of performance measurements and benchmarks similar to those recommended by the IACVB or the GASB. This would allow the CVB to measure performance on a periodic basis. These results could then be communicated with stakeholders and the general public.

Primary Data Collection

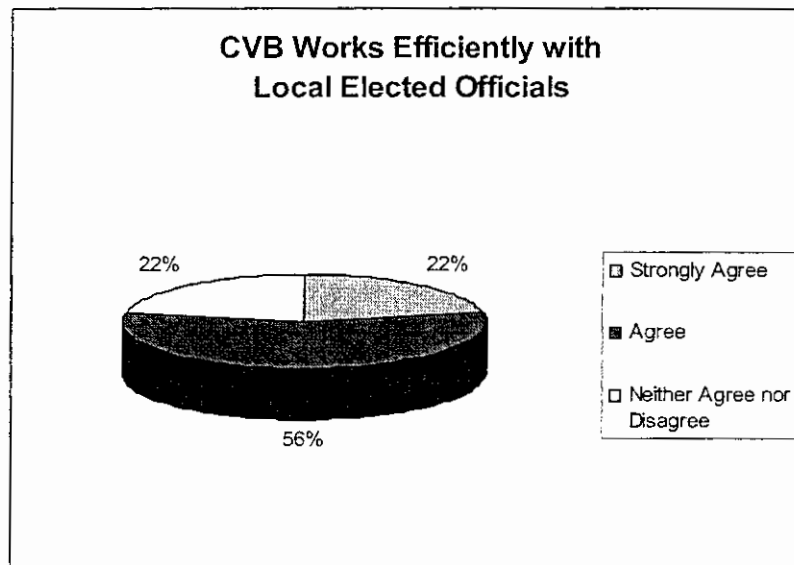
Survey of CVB Staff

Each of the employees of the Bureau was asked to complete a confidential questionnaire designed to identify the strengths and weaknesses of the organization. The project team distributed eleven (11) surveys to the staff (four full-time employees and seven part-time employees). Of the eleven (11) surveys that were distributed, the project team received nine (9) completed surveys, which yields an eighty-two percent (82%) response rate.

A detailed summary of the findings from this survey has been compiled and included as a part of this audit. A copy of the original survey and a survey summary are provided in Appendix D.

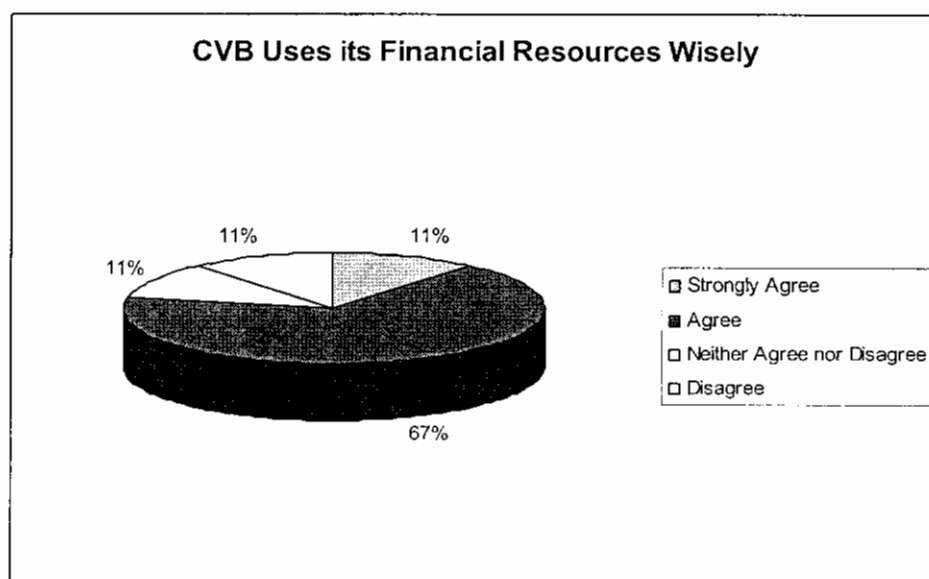
Survey Summary

The first survey question asked CVB staff members if they felt that the CVB worked well with local elected officials. Approximately three-fourths (78%) of the respondents either agreed or strongly agreed, the remaining twenty-two percent (22%) neither agreed nor disagreed.

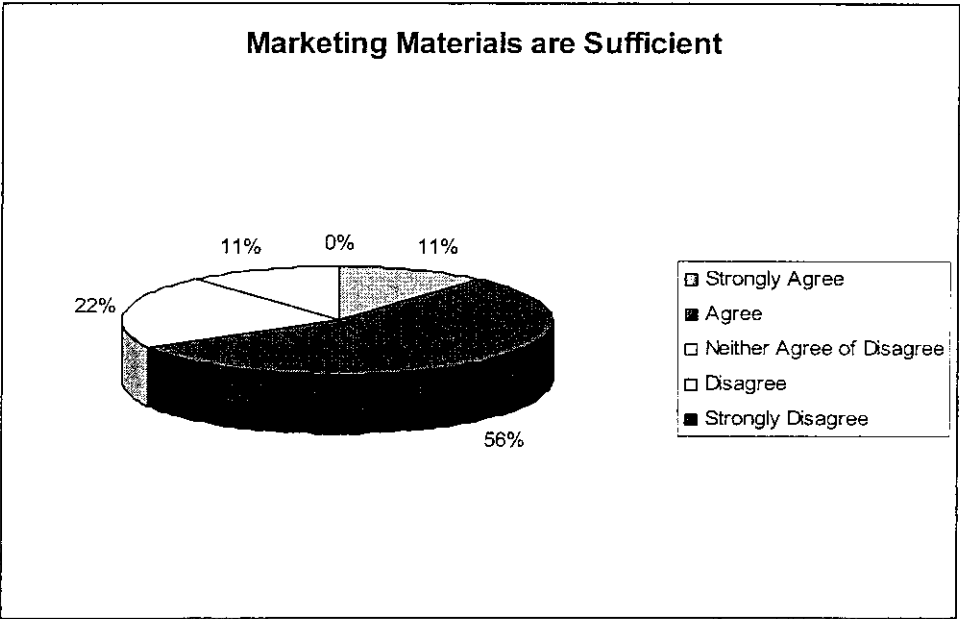


All staff members who completed the survey agreed that the CVB was effective at bringing conventions/meetings and leisure tourism to the Lynchburg area.

When asked whether or not staff members felt that the CVB uses its financial resources wisely, the majority of respondents (78%) agreed or strongly agreed. Eleven percent (11%) neither agreed nor disagreed, and another eleven percent (11%) disagreed with the statement.



When asked if the staff felt that the development of effective marketing materials and advertising is sufficient, almost two-thirds of the respondents (67%) agreed, twenty-two percent (22%) neither agreed nor disagreed, and eleven percent (11%) disagreed.



Sixty-seven percent (67%) of the respondents agreed that the CVB develops and shares research with the local market. Twenty-two percent (22%) neither agreed nor disagreed, and eleven percent (11%) disagreed.

